

VZCZCXRO9014
PP RUEHTRO
DE RUEHTU #0286/01 0791040
ZNR UUUUU ZZH
P 191040Z MAR 08
FM AMEMBASSY TUNIS
TO RUCPDO/USDOC WASHDC PRIORITY
RUEHC/SECSTATE WASHDC PRIORITY 4676
INFO RUEHAS/AMEMBASSY ALGIERS PRIORITY 7647
RUEHLO/AMEMBASSY LONDON PRIORITY 1439
RUEHNK/AMEMBASSY NOUAKCHOTT PRIORITY 0973
RUEHFR/AMEMBASSY PARIS PRIORITY 1906
RUEHRB/AMEMBASSY RABAT PRIORITY 8525
RUEHTRO/AMEMBASSY TRIPOLI PRIORITY 0212
RUEHCL/AMCONSUL CASABLANCA PRIORITY 4203

UNCLAS SECTION 01 OF 04 TUNIS 000286

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SUBJECT: TIFA COUNCIL - AUSTR DONNELLY'S MINISTERIAL
MEETINGS

REF: A. TUNIS 211

[1](#)B. 07 TUNIS 1521

Summary

[1](#)1. (SBU) On the margins of the March 10-11 US-Tunisia Trade and Investment Framework Agreement (TIFA) Council meeting, Assistant US Trade Representative for Europe and the Middle East (AUSTR) Shaun Donnelly met with Prime Minister Mohamed Ghannouchi, Minister of Development and International Cooperation Mohamed Nouri Jouini, and Minister of Commerce Ridha Touiti. AUSTR Donnelly advocated for several US companies with pending project/export proposals before the GOT. He also raised the proposed Open Skies agreement, as well as, pharmaceutical issues, such as patent linkage, data exclusivity, and correlated pharmaceutical product appeals. The TIFA delegation also discussed the Generalized System of Preference Program (GSP) with the business community and the Center for the Promotion of Exports (CEPEX).

[1](#)2. (SBU) In all of his meetings, AUSTR Donnelly explained President Bush's interest in the region and ultimate goal of establishing a Middle East Free Trade Area (MEFTA) by 2013. While emphasizing that this TIFA Council meeting was not an FTA negotiation, AUSTR Donnelly expressed his hope that both sides would use the meeting to explore and develop concrete near-term steps to increase bilateral trade and investment and to remove existing barriers. AUSTR Donnelly argued that by liberalizing the services sector, particularly in the areas of ICT, Tunisia would attract much more foreign and domestic investment.

[1](#)3. (SBU) Themes from Tunisian officials included: the historical ties between the United States and Tunisia; that Tunisia will continue its reform strategy, but that the reforms need to be implemented gradually so that Tunisians and Tunisia's economy can build the capacity to absorb the changes; that the USAID scholarship program be re-instated; the economic and social progress that Tunisia has achieved; the GOT's desire to diversify its economic partners beyond

the EU; requests for more cooperative technical assistance programs to build capacity and to promote Tunisian exports to the US; and the desire for partnerships for Tunisian companies with US businesses in GOT targeted high value-added sectors. End Summary.

Prime Minister Ghannouchi

¶4. (SBU) Ghannouchi began with a short soliloquy on the long-standing US-Tunisian friendship and how grateful Tunisia is for our pre- and post-independence support. AUSTR Donnelly explained the general framework of the TIFA Council proceedings and complimented the Minister on the economic progress that he has observed since he last was in Tunisia 16 years ago. Ghannouchi expressed his pride and satisfaction with Tunisia's reform program. He said that the GOT would continue with its fundamental reforms to integrate Tunisia into the global economy and to upgrade the living standards of all Tunisians. Tunisia wants to reinforce its economic and commercial ties with the United States but in a way that benefits both countries. Ghannouchi identified three major pillars for US-Tunisian economic cooperation:

A) Re-instatement of the USAID funded student post-graduate program that was suspended in 1992. Ghannouchi opined that this program is a great investment that will reap benefits for both countries by producing "American products" who may later play a major role in disseminating the US business culture in Tunisia;

B) Provide greater predictability under the GSP program by guaranteeing that Tunisian products would benefit from

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duty-free treatment for a five to ten year period. Ghannouchi indicated that longer eligibility would raise the visibility of the US market and would stimulate Tunisian exporters to consider targeting this market.

C) Encourage US companies to invest in Tunisia, mainly those with added value. Ghannouchi specifically said that the GOT was looking for investment projects that would generate jobs, innovation, and new technology transfer, such as in the ICT and telecommunications fields.

¶5. (SBU) Ambassador Godec offered to discuss with Washington the prospect of instituting an education program similar to the former USAID program. On GSP, Donnelly explained that Tunisia already benefits from preferential treatment of several thousand products under the GSP program, but exporters were not taking full advantage of it. Ambassador Godec offered to work with the GOT to promote and raise the visibility of the GSP program throughout Tunisia.

MDIC Minister Jouini

¶6. (SBU) Jouini stated that the main objectives for this TIFA Council were for both sides to share information and acquire a clearer understanding of the legal framework and provisions under which each party operates, to find areas of convergence, and to explore areas where we can advance the trade and investment relationship. He used the EU-Tunisia Association Agreement negotiations as a good example of a negotiation process that works for Tunisia. He said that Tunisia has signed an action plan for the "Neighborhood Policy" with the aim of harmonizing Tunisian legislation with that of the EU and the ultimate goal of full integration into the global economy, with the long term goal of Tunisian goods receiving the same treatment as EU goods (under the rules of origin).

¶7. (SBU) AUSTR Donnelly emphasized that the US approach to

Free Trade Agreements (FTA) is fundamentally different from that of the EU. US FTAs are comprehensive agreements and normally require substantial legislative and regulatory reform before an FTA can be reached. He suggested that the GOT review the text of the Morocco-US FTA while they continue their trade negotiations with the EU and as they consider changes to Tunisia's legislative and regulatory regime. Jouini responded that the GOT would prefer that trade and investment discussions between the United States and Tunisia should proceed gradually. AUSTR Donnelly told Jouini that he views our TIFA discussions as a way in which the United States and Tunisia can meet, talk, and establish building blocks to advance our bilateral economic relationship.

Commerce Minister Touiti

18. (SBU) Minister Touiti said that he is proud of the quality of Tunisian products and of Tunisia's efforts to improve its investment and regulatory environment, including Intellectual Property Rights (IPR) enforcement. He said that Tunisia is working hard to fully comply with European and hence international standards. He said that Tunisia hopes to see increased trade between the United States and Tunisia through well-targeted product marketing. Touiti would like to see greater support and cooperation between the United States and Tunisia in the areas of technical assistance, exchange of information about trade opportunities, and the exchange of experts for short and long term assignments (i.e., something akin to the Japanese International Cooperation Agency (JICA)).

19. (SBU) AUSTR Donnelly used this meeting to seek GOT cooperation in reaching a successful conclusion to the WTO Doha Round negotiations. He indicated that while senior

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officials in Geneva are working hard toward achieving a breakthrough on a "modalities" package, they need to narrow gaps and issues over the short term so that ministers can make decisions. The United States is looking for a "modalities" package that sets the formula and frameworks for agriculture, non-agricultural market access, and services that will move these negotiations into the final phase. He added that the choreography has changed for the Doha Round with countries negotiating as groups. He argued that emerging markets such as India, Brazil, China, Argentina, need to make a contribution and should not continue to claim the same special exceptions that are claimed by less-developed countries. He encouraged Tunisia to work actively to promote constructive solutions and to pursue its own interests in the Doha Development Agenda, and not blindly follow the Advanced Developing Countries group or other groups whose agenda is not really in line with Tunisia's interests.

Advocacy

110. (SBU) AUSTR Donnelly and Ambassador Godec raised several outstanding advocacy issues with all GOT officials:

Open Skies - Both Minister Jouini and Prime Minister Ghannouchi said that the GOT was looking into the possibility of a bilateral Open Skies agreement with the United States and raised the possibility that an agreement could be concluded next year.

Franchises - During the meeting with Minister Jouini, AUSTR Donnelly asked where Tunisia stood with regards to opening up the Tunisian market to franchises, noting that liberalization of the services sector would attract greater US investment to Tunisia. Jouini responded that franchises are not totally banned, but that authorizations for franchises have to be put

into a larger framework agreement and have to take social factors into consideration. He said that some of Tunisia's recent agreements with the Middle Eastern investors permit franchises. He also said that the tourism sector is open, and that franchises for hotels and touristic restaurants would be welcome. The retail sector is not yet open to franchises, because Tunisia is currently embarked on a plan to upgrade this sector. He added that Tunisia is cooperating with the EU to integrate the retail sector into the global economy. Jouini stated that Tunisia is studying franchise legislation and intends to send a proposal to the Parliament in a few months. (Note: see septel for working group discussion. End Note.)

Boeing - The GOT officials responded that Boeing's bid for the Tunis Air fleet replenishment will be given due consideration and gave their assurances that the process will be open and transparent.

Cisco - Officials said the GOT is aware of and considering Cisco's E-Government public private partnership (PPP) proposal. The GOT is happy with Cisco's current investment in Tunisia and favorably disposed toward Cisco. (Note: Econ/Commercial Officer has relayed this information to Cisco representatives in Tunisia and encouraged them to approach the MDIC and the Ministry of Communications to follow-up on their proposal. End Note.)

SemGroup - GOT officials said that they are aware of the SemEuro (SemGroup subsidiary) storage terminal proposal. Prime Minister Ghannouchi's response to this issue was that the Skhira region (proposed site for SemEuro storage terminal) was "very interesting for the GOT, and that there were already several projects planned in that area." He went on to say that the GOT was studying SemEuro's proposal. He said, however, that a decision is unlikely in 2008. Jouini said that he believed that the hold-up on this project was a

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fiscal issue - that SemEuro did not want to pay taxes. (Note: Before this project stalled, SemEuro had reached an agreement with the GOT to sign a special convention which would require them to pay taxes in accordance with the US-Tunisia Bilateral Investment Treaty. Jouini seemed to be unaware of this agreement. During the TIFA investment working group session, the GOT lead for this group asked whether SemEuro would consider locating their storage terminal project elsewhere in Tunisia. Econ/CommercialOff responded that Post would contact SemEuro and pose this question to them, but that Post did not believe that SemEuro was tied to the Skhira location. End Note.)

Coca-Cola - The GOT gave what has become a standard reply to expressed concerns about the carbonated beverage tax: The excise tax on carbonated beverages is not discriminatory, as it applies to all such products and not just to Coca-Cola. Officials also pointed out that the consumer pays this tax. They argued that the tax in no way prevents Coca-Cola from upgrading their bottling and distribution facilities.

Crown Can - In response to concerns about the GOT's limit on the number of expatriate employees, officials made clear that Tunisia has an abundance of highly educated, capable citizens that are looking for employment. They went on to explain that the GOT has always worked with individual companies such as Crown Can to meet their specific expatriate requirements.

Comment

111. (SBU) Throughout all of AUSTR Donnelly's meetings with GOT interlocutors, there was a general excitement about the TIFA Council meeting and genuine interest in advancing trade and investment between Tunisia and the United States. It has

also become clear to us and to our interlocutors that the fact that Tunisia is a GSP beneficiary country, eligible for duty free treatment on many of its products, is not widely known. Post will conduct additional outreach to local business entities to raise the visibility of the GSP program, including possibly arranging a workshop with a GSP expert. These meetings also confirmed the reports that recent investment agreements reached with several Gulf countries permit retail franchises in new projects in Tunisia. End Comment.

¶12. (U) AUSTR Donnelly has cleared this cable.

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